

# LOS ANGELES BUSINESS JOURNAL

## Stick a Cork in It

*Big booze bills no longer the rage at L.A. hot spots*

By ALEXA HYLAND - 7/6/2009

### Los Angeles Business Journal Staff

The line of well-dressed twentysomething guys and gals waiting to get the OK from the doorman at Hollywood hot spot Les Deux starts forming at about 10 p.m. The line is about as long as ever, despite the recession.

But once those people make it beyond the velvet ropes, they don't drop thousands of dollars for their wild night out like they used to. They spend less than ever, because of the recession.

"The extravagance of buying 10 bottles of champagne for \$5,000, you don't really see that anymore," said Sylvain Bitton, co-owner of Les Deux, where partiers can sneak a peek at the nightclub's celebrity clientele, including starlets Lindsay Lohan and Rihanna. "People are definitely cost-conscious."

Bitton and other veterans of Hollywood's world-famous celebrity nightlife said that times are so hard due to layoffs and the weak economy that they are offering specials that look more like coupons for Denny's or ads for Payless shoes: buy one bottle of vodka, get the next one for half-price.

Some clubs are offering free cocktails. Others are dropping the old \$400-a-bottle prices faster than a drunken partygoer spills a drink.

Clubgoers are getting savvy about the situation, too, and ask servers and managers for deep discounts.

"Everyone wants a deal now – they wanted a deal then, they just didn't have the ground to stand on to ask," Bitton said. "Now, with the financial situation, these 21-year-old kids in here, they want some sort of break."

The average check for a table has dropped from about \$2,000 to \$1,000, he said.

The occasional Saudi prince will still swing by Ecco Ultra Lounge in Hollywood and drop \$10,000 in a night – as one did recently – but that's the exception, not the rule. Bottle service – which is offered to VIP guests who book a table in advance, then keep the drinks flowing – is down 40 percent to 50 percent, club owners said.

To keep customers spending, Les Deux started offering bottle service discounts, a significant revenue stream for most nightclubs. Clubgoers who buy one bottle of liquor get the second for half price. Or they can get single bottle discounts.

For example, customers can purchase bottles of vodka for \$200 each, down from \$375; and bottles



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of champagne for \$100, down from \$300. For that, the customers get a table, plus ice and mixers and the bottle, of course.

Les Deux is also offering an open bar from 10 to 11 p.m., when customers get free cocktails.

The club, which is owned by L.A. hospitality company the Dolce Group, isn't the only hot spot offering deals.

At the recently opened Hollywood nightclub Halo, customers who've ordered two bottles of vodka and one bottle of champagne have negotiated management from the menu price of \$900 all the way down to \$500. At Hollywood spot Crimson/Opera, clubbers can get the \$800 promotional rate for two bottles of vodka and one bottle of champagne, instead of the \$1,050 menu price.

Insiders said clubgoers can strike deals on bottle service at SBE Entertainment Group LLC's West Hollywood nightclubs, including Area, Foxtail and Hyde Lounge. A representative for SBE did not return a call for comment, but someone familiar with the club who spoke on condition of anonymity said those clubs were offering half off every third bottle.

### **Saturated market**

Industry watchers said nightclub owners are being forced to offer discounts, especially on bottle service, to keep customers spending and to remain viable in a saturated market – there are more than 50 nightclubs within Hollywood's 3.5-mile radius.

"We have to offer next-to-nothing prices on bottle specials just to keep the bottles selling," said BoJesse Christopher, a 20-year industry veteran and chief executive of L.A. promotion company BJC Events Inc.

Even at cheaper prices, the Hollywood wannabes who frequent these nightclubs aren't stocking up.

Danijel Bajric used to get four or five bottles of liquor at his table when the economy was booming. But the other night at Les Deux, there were just two bottles of Grey Goose vodka in front of him.

"Last year, I would spend \$300 more in one night on alcohol than now," said Bajric, a native of Sweden who moved to Los Angeles three years ago in hopes of becoming an actor. The menu price for the two bottles of Grey Goose was \$800; he got them for \$500.

Hollywood nightclubs have a tough market. In New York, the population base is so huge that clubs can survive through a years-long cycle of step-downs: First the club is ultratrendy, then the rest of the city comes, then there is a whole world of suburbs from which to draw crowds. In Las Vegas, the ever-changing tourists are a constant fuel for business.

But in Hollywood, clubs cater to a fairly defined but extremely fickle group, which is always looking for the next hot spot. Translation: Whatever place is now frequented by celebrities.

As a result, most Hollywood nightclubs are popular and very profitable for only one year before revenue starts to slide. The problem now is that the trendy clubs, even though they are drawing big crowds, aren't drawing big spenders. And that means that even the few trendy nightclubs aren't making money like they used to during their short life spans in the limelight.

While a club still may rake in what seems to be huge sums of cash, it is also likely the owner gambled millions of dollars by developing a club that may not be popular or will be popular for a

short while.

“If you do a year where you are catering to a clientele with a large disposable income, you have beaten the odds,” said David Judaken, chief executive of L.A. nightclub operator Syndicate Inc. “Most clubs don’t even hit a level that is deemed successful any longer.”

At the moment, Judaken is looking to capitalize on the success he’s experiencing with MyHouse, a sleek nightclub that opened in January. Judaken spent millions renovating the 10,000-square foot space, which features \$8,000 couches now occupied by Paris Hilton and her crowd.

“MyHouse is generating historic numbers and revenue,” Judaken said. “But if we are lucky, we will have 12 months out of that unique microeconomy.”

### **‘Working twice as hard’**

As a promoter responsible for putting on events that draw crowds, Christopher is taking a hit, too. Generally, he gets 10 percent to 20 percent of the profits from his events. In this economy, that means the amount he makes in one night has dropped from about \$30,000 to \$15,000.

“We are working twice as hard and making half as much,” Christopher said. “But at least we are still in business.”

Others might not be so lucky.

James Sinclair, co-founder of L.A. hospitality consultancy OnSite Consulting, said that anybody can run a nightclub in a good economy, but only the professionals will be able to make money these days.

“The economic operator who understands his numbers, and is more than just a pretty face, will survive in this market,” Sinclair said.

But in Hollywood, image sometimes prevails over economics. Nightclub owners and promoters may be staging what looks like a lucrative event, but nobody knows who got what for free.

“We’ve given a lot away just to survive the perception that nightlife is still recession proof,” Christopher said.

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